

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 713 - HB 1271

February 19, 2019

SUMMARY OF ORIGINAL BILL: Exempts from state and local sales and use tax all sales of agricultural trailers and agricultural vehicles. Establishes that “agricultural vehicle” does not mean motor vehicle as defined in Tenn. Code Ann. § 55-8-101.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact - \$1,735,100

Decrease Local Revenue – Net Impact - \$708,100

SUMMARY OF AMENDMENT (004369): Deletes all language after the enacting clause. Exempts from state and local sales and use tax all sales of trailers used to transport livestock, farm products, nursery stock, or equipment, supplies, or products used in agriculture, or for other agricultural purposes relating to the maintenance of a farm.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Net Impact - \$257,200

Decrease Local Revenue – Net Impact - \$104,900

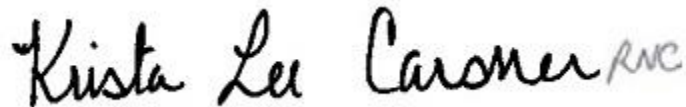
Assumptions for the bill as amended:

- Exempting sales of trailers used for farming purposes, from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue cannot segregate tax collection data to show sales tax collections received solely due to agricultural trailers.
- Trailers used for farming purposes come in a wide variety of models, with prices varying from several hundreds of dollars to multiple tens of thousands of dollars.
- The average number of agricultural trailer sales and the average price of such trailers are unknown.

- Taxable sales for agricultural trailers under current law, which are used for the specified purposes outlined in this legislation, are reasonably estimated to be \$4,000,000 per year in Tennessee.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$269,872 $[(\$4,000,000 \times 7\%) - (\$4,000,000 \times 7\% \times 3.617\%)]$.
- A recurring decrease in local revenue of \$110,128 $[(\$4,000,000 \times 2.5\%) + (\$4,000,000 \times 7\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$190,000 $[(\$269,872 + \$110,128) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$12,819 $[(\$190,000 \times 7\%) - (\$190,000 \times 7\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$5,231 $[(\$190,000 \times 2.5\%) + (\$190,000 \times 7\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$257,153 $(\$269,972 - \$12,819)$.
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$104,897 $(\$110,128 - \$5,231)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb